

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0106-01
Bill No.: HB 520
Subject: Business and Commerce, Health, Public, Revenue Dept., Taxation and Revenue - Sales and Use
Type: # Revised
Date: April 13, 2011
Revised to reflect new information from the US Census Bureau.

Bill Summary: Would create a sales tax exemption for educational or fitness class fees paid to any health club, athletic club, exercise club, fitness club, or other similar club or facility.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
#General Revenue	(Unknown)	(Unknown)	(Unknown)
#Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
#School District Trust	(Unknown)	(Unknown)	(Unknown)
#Conservation Commission	(Unknown)	(Unknown)	(Unknown)
#Parks, and Soil and Water	(Unknown)	(Unknown)	(Unknown)
#Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
#Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Conservation (MDC)** assume this proposal would exempt fees paid to a health club, athletic club, fitness club, or fitness fees paid to those entities would reduce sales tax collected and decrease revenues to the Conservation Sales Tax funds. MDC deferred to the Department of Revenue for an estimate of the amount of revenue reduction.

Officials from the **Department of Natural Resources** stated that exempting from sales tax the amount paid for fees for any educational or fitness classes to any health club, athletic club, exercise club, fitness club, or other similar club or facility would decrease the amount of funding available in the Parks and Soils Sales Tax Funds.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education** assume this proposal would have no fiscal impact on their organization.

Officials from the **Department of Revenue** (DOR) assume this proposal would have an unknown negative impact on Total state Revenue.

Administrative impact

DOR officials assume that Collection and Tax Assistance would have additional contacts questioning whether the business qualifies for this exemption and would need one FTE additional Revenue Processing Technician I (Range 10, Step L) for every additional 24,000 contacts annually to the Registration section, CARES phone and agent license required, and one FTE additional Revenue Processing Technician I (Range 10, Step L) for every additional 4,800 contacts annually in the Tax Assist Offices. CARES phone and agent license required.

The DOR estimate of administrative cost to implement this proposal including two additional employees and the related equipment and expense totaled \$83,623 for FY 2012, \$81,203 for FY 2013, and \$82,061 for FY 2014.

Oversight also assumes the DOR estimate of expense and equipment cost for additional FTE could be overstated. If DOR is able to use existing equipment such as desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2012 could be reduced by roughly \$5,000 per employee.

In response to a similar proposal in a previous session (HB 94 LR 182-01, 2009) DOR officials assumed the proposal would have no fiscal impact on their organization.

Oversight assumes DOR could implement this proposal with existing resources. If unanticipated costs are incurred or multiple proposals are implemented which increase the DOR workload, resources could be requested through the appropriation process.

ASSUMPTION (continued)

IT impact

DOR officials provided an estimate of the IT impact to implement this proposal of \$4,452 based on 168 hours of programming to make changes to various DOR systems.

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

Officials from **St. Louis County** assume that any loss of revenue resulting from this proposal would not be great but stated that they could not provide an estimate of that revenue reduction.

Officials from the **City of Kansas City** assume this proposal would have a negative fiscal impact on their organization.

Officials from the **City of Raytown** stated that there was no fiscal impact to their organization that they could easily identify.

Officials from **Nixa Public Schools** assume that this proposal would create a sales tax exemption which would, in turn, take funding away from public education.

Although they did not respond to our request for information, officials from the **Office of Administration, Division of Budget and Planning** (BAP) assumed a similar proposal in a previous session (HB 94 LR 182-01, 2009) would not result in additional costs or savings to their organization. BAP officials also provided this estimate of the fiscal impact.

ASSUMPTION (continued)

The proposal would exempt health club dues and fees from sales tax. According to the 2007 US economic census, fitness and recreational sports centers in Missouri had receipts in the amount of \$281.5 million. The data does not indicate whether those revenues were from fees or other sources. Therefore, BAP estimates the following revenue losses:

GR	\$8.4 million
Education	\$2.8 million
Conservation	\$0.4 million
DNR	\$0.3 million
Local (2.5%)	\$7.0 million

#Oversight notes that the BAP estimate is based on economic data including all reported dues and fees for fitness and recreational sports centers; this proposal would only provide a sales tax exemption for educational or fitness class fees. Oversight does not have any information as to the actual amount of fees which would be exempted from sales tax by this proposal and will indicate an unknown reduction in revenue for the General Revenue Fund, for the other state funds which receive sales tax revenues, and for local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
<u>#Revenue reduction</u> - sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
#ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
SCHOOL DISTRICT TRUST FUND			
<u>#Revenue reduction</u> - sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
#ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
CONSERVATION COMMISSION FUND			
<u>#Revenue reduction - sales tax exemption</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
#ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARKS, AND SOIL AND WATER FUNDS			
<u>#Revenue reduction - sales tax exemption</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
#ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2012 (10 Mo.)	 FY 2013	 FY 2014
LOCAL GOVERNMENTS			
<u>#Revenue reduction - sales tax exemption</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
#ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

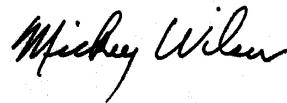
FISCAL DESCRIPTION

The proposed legislation would create a sales tax exemption for educational or fitness class fees paid to any health club, athletic club, exercise club, fitness club, or other similar club or facility..

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of Administration
 Division of Budget and Planning
Department of Conservation
Department of Elementary and Secondary Education
Department of Natural Resources
Department of Revenue
St. Louis County
City of Kansas City
City of Raytown
Nixa Public Schools



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Director
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